

Message Text

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47

ACTION EB-07

INFO OCT-01 AF-06 EUR-12 EA-10 IO-10 ISO-00 AID-05 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04

OPIC-06 SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05

SS-15 STR-04 CEA-01 L-03 H-02 /124 W

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R 301056Z JUN 75

FM AMEMBASSY PRETORIA

TO SECSTATE WASHDC 2172

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMCONSUL CAPE TOWN

AMCONSUL DURBAN

AMEMBASSY GABORONE

AMCONSUL JOHANNESBURG

AMEMBASSY LONDON

AMEMBASSY MASERU

AMEMBASSY MBABANE

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USDEL MTN GENEVA

USMISSION GENEVA

UNCLAS PRETORIA 2410

E.O. 11652: N/A

TAGS: EFIN, SA

SUBJ: FINANCE MINISTE'S STATEMENT ON RAND DEVALUATION

REF: (A) PRETORIA 2115 (B) PRETORIA 2384

1. IN ANNOUNCING DEVALUATION OF RAND FROM \$1.47 TO \$1.40 FINANCE
MINISTER ALSO ANNOUNCED ABANDONMENT OF POLICY OF "INDEPENDENT
MANAGED FLOATING", I.E. POLICY OF MAKING FREQUENT SMALL CHANGES
IN RAND/DOLLAR RATE IN ORDER TO MAINTAIN APPROXIMATELY STABLE
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WEIGHTED AVERAGE RATE AGAINST CURRENCIES OF TRADING PARTNERS.
NEW POLICY IS TO MAINTAIN \$1.40 MIDDLE RATE FOR LONG PERIODS,

MAKING CHANGES "IF CONSIDERED ESSENTIAL IN THE EVENT OF ANY
BASIC CHANGE IN DOMESTIC OR INTERNATIONAL ECONOMIC CIRCUMSTANCES".

2. STATEMENT SAYS STRENGTHENING OF DOLLAR SINCE MARCH AND
WEAKENING OF STERLING SINCE APRIL HAS CAUSED APPRECIATION OF
AVERAGE EXTERNAL VALUE OF RAND AND HAD CREATED EXPECTATION OF
DEVALUATION AND CONSEQUENT ADVERSE EFFECT OF "LEADS
AND LAGS" ON BALANCE OF PAYMENT.

3. STATEMENT POINTS OUT THAT NEW MIDDLE RATE OF \$1.40, PUBLIC
BUYING RATE OF \$1.4035 AND PUBLIC SELLING RATE OF \$1.3965 RESTORE
THE RAND/DOLLAR RELATIONSHIP TO THAT WHICH EXISTED BEFORE THE
1971 SMITHSONIAN REALIGNMENT.

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